



COMMODITY FUTURES TRADING COMMISSION
QUARTERLY PERFORMANCE REVIEW

SECOND QUARTER, FY 2001



QUARTERLY PERFORMANCE REVIEW SECOND QUARTER, FY 2001

CONTENTS OVERVIEW

Purpose: *The Quarterly Performance Review provides narrative and statistical information regarding how well the CFTC is performing its mission to protect market users and the public from fraud, manipulation, and abusive trading practices related to the sale of commodity futures and options, and to foster open, competitive, and financially sound commodity futures and option markets.*

Part I: Commission Resources

Summary of FY 2001 Commission Funding—By Agency Goal & Outcome Objective	4
Division Staffing Distribution by Outcome Objective	5

Part II: Priorities & Accomplishments

Summary of Division Priorities By Agency Goal: <i>Upcoming Third Quarter, FY 2001</i>	7
Division Priorities By Agency Goal: <i>Upcoming Third Quarter, FY 2001</i>	9
Summary of Division Accomplishments By Agency Goal: <i>Second Quarter, FY 2001</i>	18
Division Accomplishments By Agency Goal: <i>Second Quarter, FY 2001</i>	20

Part III: Annual Performance Statistics

Summary of Commission Outreach Efforts	30
Analysis of Annual Performance Statistics by Agency Goal: <i>Second Quarter, FY 2001</i>	31

Part I: Commission Resources

Summary of FY 2001 Commission Funding

By Agency Goal & Outcome Objective

Outcome Objective by CFTC Goal	FY 2001 \$ (000)
GOAL ONE: Protect the economic functions of the commodity futures and option markets.	
Outcome Objectives	
1.1 Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	\$11,128
1.2 Oversee markets which can be used effectively by producers, processors, financial institutions and other firms for the purposes of price discovery and risk shifting.	1,111
Subtotal Goal One	\$12,239
GOAL TWO: Protect market users and the public.	
Outcome Objectives	
2.1 Promote compliance with and deter violations of federal commodities laws.	\$16,825
2.2 Require commodities professionals to meet high standards.	1,685
2.3 Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act.	1,715
Subtotal Goal Two	\$20,225
GOAL THREE: Foster open, competitive, and financially sound markets.	
Outcome Objectives	
3.1 Ensure sound financial practices of clearing organizations and firms holding customer funds	\$2,857
3.2 Promote and enhance effective self-regulation of the commodity futures and option markets.	8,640
3.3 Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.	3,217
3.4 Promote markets free of trade practice abuses.	3,407
Subtotal Goal Three	\$18,121
Unallocated	
Unallocated & Prorated ²	17,265
Subtotal Unallocated	\$17,265
TOTAL	\$67,850

² Unallocated & Prorated refers to those resources supporting the offices of the Chairman and the Commissioners (with the exception of the Office of International Affairs); the Office of the Executive Director (with the exception of certain activities of the Office of Information Resources Management); and a very small portion of resources in the Office of the General Counsel. The resources are not originally allocated to a specific strategic goal because, for the most part, the work performed by these offices provides common support across all strategic goals.

Division Staffing Distribution by Outcome Objective
FY 2001
in Full-Time Equivalent (FTE) Hours

Outcome Objective by CFTC Goal	FY 2001 FTEs
GOAL ONE: Protect the economic functions of the commodity futures and option markets.	
Outcome Objectives	
1.1 Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	105.57
1.2 Oversee markets which can be used effectively by producers, processors, financial institutions and other firms for the purposes of price discovery and risk shifting.	11.15
Subtotal Goal One	116.72
GOAL TWO: Protect market users and the public.	
Outcome Objectives	
2.1 Promote compliance with and deter violations of federal commodities laws.	134.25
2.2 Require commodities professionals to meet high standards.	13.65
2.3 Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act.	13.87
Subtotal Goal Two	161.77
GOAL THREE: Foster open, competitive, and financially sound markets.	
Outcome Objectives	
3.1 Ensure sound financial practices of clearing organizations and firms holding customer funds.	22.95
3.2 Promote and enhance effective self-regulation of the commodity futures and option markets.	71.43
3.3 Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.	26.38
3.4 Promote markets free of trade practice abuses.	27.55
Subtotal Goal Three	148.31
Unallocated	
Unallocated & Prorated	140.20
Subtotal Unallocated	140.20
TOTAL	567.00

Part II: Priorities & Accomplishments

Summary of Priorities by Agency Goal: Upcoming Third Quarter, FY 2001

Goal One: Protect the economic functions of the commodity futures and option markets.	
Division/Office	Priority Items
Trading & Markets	Implementation of the Commodity Futures Modernization Act (CFMA) BrokerTec Hedge Street Federal Reserve Board Margin Report
Economic Analysis	Implementation of the CFMA Single Stock Futures on Foreign Markets Liquidity and Efficiency of Index Futures Markets Contract Market and Derivative Transaction Execution Facility (DTF) Applications Product and Rule Amendment Filings Large Trader Reporting Evaluation of Alternative Execution Procedures in Futures Markets Foreign Stock Index Reviews Electronic Exchange Database Securities Futures Products Rulemakings
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.
General Counsel	Regulatory and Legislative Matters Implementation of the CFMA
Legislative & Intergov'tal Affairs	Legislative Support Activities Liaison Activities
Executive Director	Integrated Surveillance System Exchange Database System

Goal Two: Protect market users and the public.	
Division/Office	Priority Items
Trading & Markets	Notice Registration as Futures Commission Merchants (FCMs) for Securities Broker-Dealers Notice Registration as Contract Markets for Securities Trading Facilities and Exemption Procedures Exemptions for Notice Registrant FCMs Privacy of Customer Information
General Counsel	Opinions Litigation Freedom of Information Act Ethics Inspector General
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.
Executive Director	Litigation Support System

COMMODITY FUTURES TRADING COMMISSION: QUARTERLY PERFORMANCE REVIEW

Goal Three: Foster open, competitive, and financially sound markets.	
Division/Office	Priority Items
Trading & Markets	Regulatory Reform: <ul style="list-style-type: none"> – Exchanges and Clearing Houses – Denomination of Customer Funds and Location of Depositories Commodity Trading Advisor (CTA) and Commodity Pool Operator (CPO) Performance Reporting and Disclosure Issues Opt Out of Segregation Dual Trading Rule 30.10 Treatment of Customer Funds Related to Security Futures Transactions Klein Futures
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.
International Affairs	International Organization of Securities Commissions (IOSCO) International Initiatives Information Sharing Technical Assistance International Regulators Meeting
General Counsel	Regulatory and Legislative Matters Foreign Stock Index Futures Contracts De-Mutualization

All Goals	
Division/Office	Priority Items
Executive Director	Executive Management Council (EMC) Intranet Information Resources Management Technology Advances Special Events and Training Human Resources Initiatives and Activities Administrative Services and Space Management Financial Management

Division Priorities by Agency Goal: *Third Quarter, FY 2001*

Goal One: Protect the economic functions of the commodity futures and option markets.

Division of Trading & Markets (T&M) — Goal One Priorities:

Implementation of the Commodity Futures Modernization Act – Division staff will draft rules for Commission consideration to implement the provisions of the CFMA.

BrokerTec – The division is considering an application from BrokerTec for designation as a contract market for the automated trading of various interest rate futures contracts. BrokerTec's application was published in the *Federal Register* on June 9, 2000 for a 30-day comment period (65 FR 36667).

Hedge Street – The division is considering an application from Hedge Street Inc. to become a contract market. Hedge Street would use an Internet-based trading system and initially proposes to trade a futures contract based on the Consumer Price Index.

Federal Reserve Board Margin Report – Staff will prepare its portion of the eighth annual report to the Federal Reserve Board concerning stock index futures margins. DEA prepares the first part of the report, which addresses margin levels, and T&M prepares the second part of the report, which discusses risk management by the exchanges and clearing organizations involved in stock index futures trading.

Division of Economic Analysis (DEA) — Goal One Priorities:

Implementation of the CFMA – Division staff will continue to work with staff of T&M and other divisions regarding the establishment of procedures for implementing the new exchange approval provisions of the CFMA. This includes the development of review guidelines and standards to apply in reviewing applications by entities seeking to become designated contract markets and registered DTFs and the training of staff so that they can expeditiously process applications.

Single Stock Futures on Foreign Markets – Research staff will analyze the trading activity and contract specifications of single stock futures based on US stocks traded on the London International Financial Futures and Options Exchange (LIFFE).

Liquidity and Efficiency of Index Futures Markets – Research staff continue to examine the impact of liquidity cost on option premiums in thin index futures markets and to review alternative techniques on testing the efficiency of index futures option markets.

Contract Market and DTF Applications – The division, in cooperation with other divisions, will review applications for contract market designation and DTF registration, submitted by new exchanges.

Product and Rule Amendment Filings – The division will continue to review new product and rule amendment submissions of contract markets and DTFs. The division will review filings submitted for Commission approval within the timetables specified in the Commission's rules and will conduct presurveillance reviews of filings submitted under exchange certification procedures. The division plans to complete its reviews of the requests for approval of the Chicago Mercantile Exchange (CME) benzene and Cantor Financial Futures Exchange (CFFE) ten-year US Treasury note futures this quarter.

Large Trader Reporting – Surveillance staff are working with the Office of Information Resources Management (OIRM) to redirect electronic large trader and exchange data filings made via the Internet to a new CFTC server. This effort will affect about 100 FCMs and all major exchanges.

Evaluation of Alternative Execution Procedures in Futures Markets – Research staff will continue to examine market integration and fragmentation issues and evaluate the advantages and disadvantages of open-outcry versus electronic trading systems.

Foreign Stock Index Reviews – The division will continue its review of new foreign stock index no-action requests received from the Office of the General Counsel (OGC) for the Eurex's NEMAX 50. Division staff also will continue their economic analysis of the no-action request of the LIFFE Mini FTSE 100, the Italian Futures Exchange Mini MIB 30, the MEFF RV (Spanish Futures Exchange) S&P Europe 350 and S&P Euro stock index futures contracts, the Tokyo Stock Exchange S&P/Topix 150 futures contract, and the no-action requests of the Bombay Stock Exchange and the National Stock Exchange of India. Most of these reviews should be completed in the third quarter.

Electronic Exchange Database – Division staff continue to input data into its electronic exchange database. The database will be used to track and maintain key information on business-to-business exchanges and transaction execution facilities that are, or appear to be, offering derivatives products. The database also will serve as a reference source of information about these new entities, some of which may come under Commission oversight under the regulatory reform proposal.

Securities Futures Products Rulemakings – Division staff will work with other divisions, and the Securities and Exchange Commission (SEC), in developing proposed regulations and operating procedures for securities futures, including margin requirements, listing standards, notice registration of securities exchanges, the definition of a broad-based index, and requirements related to futures in foreign-based stocks.

Office of the General Counsel (OGC) — Goal One Priorities:

Regulatory and Legislative Matters – As the Commission's chief legal advisor, OGC will advise the Commission concerning implementation of the CFMA and will coordinate the Commission's work with the SEC and other agencies to accomplish the joint rulemakings required by the CFMA. OGC will also advise the Commission on other legislative and regulatory matters as appropriate.

Implementation of the CFMA – Staff will continue to review changes to the Commodity Exchange Act made by the CFMA and will assist in drafting rules for Commission consideration to implement the provisions of the CFMA. In particular, OGC will draft and publish final rules regarding the privacy of customer information in accordance with the Gramm-Leach-Bliley Act and as required by the CFMA.

Office of Legislative and Intergovernmental Affairs (OLIA) — Goal One Priorities:

Legislative Support Activities – Staff will monitor legislative initiatives and advise the Commission and its staff about proposals that may affect the Commission, the CEA, or the administrative responsibilities of the agency. OLIA staff will pay particular attention to issues and hearings related to the implementation of the CFMA, bills providing appropriations for the Commission, bills related to pay parity with other financial regulators, and other legislation that may affect the agency in the performance of its mission.

Liaison Activities – OLIA will continue to meet with Congressional staff to keep them informed of Commission actions. Where appropriate, staff will organize briefings for Congressional staff. OLIA will continue to help the Commission respond to requests from the General Accounting Office (GAO) and other federal agencies.

Office of the Executive Director (OED) — Goal One Priorities:

Integrated Surveillance System – During the quarter, the project team will work on migration to a new database server with greater storage capacity, enhanced local data editing capabilities, additional display capabilities, performance improvements, data archiving procedures, and corrections to system functionality. A new version of the application supporting the entry of information by industry partners will be deployed.

Exchange Database System – During the quarter, the project team will train users to process exchange reports, supplement data available for downloading to user workstations, provide additional automatic procedures for updating selected information, and initiate routine receipt of selected data using the Internet and File Transfer Protocol (FTP) services.

Division Priorities by Agency Goal: *Third Quarter, FY 2001*

<i>Goal Two: Protect market users and the public.</i>

Division of Trading and Markets — Goal Two Priorities:

Notice Registration as FCMs for Securities Broker-Dealers – Staff will prepare rules for Commission approval concerning a short-form notice registration procedure to permit securities broker-dealers to register as FCMs, where the only futures-related activity of the firm would involve security futures products.

Notice Registration as Contract Markets for Securities Trading Facilities and Exemption Procedures – Staff will prepare rules for Commission approval concerning a notice registration procedure to permit national securities exchanges, national securities associations, and alternative trading facilities to be designated contract markets in security futures products. These rules also will establish a procedure for these entities to apply for an exemption from duplicative regulation.

Exemptions for Notice Registrant FCMs – Staff will prepare rules for Commission approval concerning exemptions from certain CFTC rules for the notice registrant FCMs referred to above.

Privacy of Customer Information – Staff will work with OGC in the development of rules to govern the handling of customer information by futures industry professionals.

Office of the General Counsel — Goal Two Priorities:

Opinions – OGC will advise the Commission on the resolution of pending administrative enforcement and reparations appeals and appeals from disciplinary decisions of self-regulatory organizations (SROs).

Litigation – OGC will defend the Commission in 12 appeals pending at the end of the second quarter and in any additional appeals filed during the third quarter. In addition, OGC will defend the Commission before the United States district courts in cases that seek to challenge the Commission's enforcement program and its discharge of its regulatory responsibilities. OGC will also defend the Commission in personnel cases and in third-party litigation involving demands for production of Commission records or the testimony of Commission personnel. Finally, OGC will defend the Commission's interests in bankruptcy matters, seeking to protect the non-dischargeability of civil monetary penalties or restitution awards.

Freedom of Information Act – During the quarter, staff will continue to advise the Commission on issues raised under the Freedom of Information Act (FOIA), the Privacy Act, and the Government in the Sunshine Act. Staff will continue to develop procedures to assure timely and accurate review and responses to requests for information under the FOIA, to advise other divisions with respect to accessibility of division documents to specific FOIA requesters, and to respond to administrative appeals under the FOIA and Privacy Act. Staff has met with the FOIA Compliance Office to develop a FOIA training program for Commission staff.

Ethics – Staff will continue to review and advise on all matters relating to the Commission's ethics standards and compliance with its Code of Conduct and the Office of Government Ethics government-wide regulations. During the quarter, staff will distribute public financial reporting form SF 278 to senior members of the Commission, will offer assistance to SF 278 filers, and will begin its review of completed SF 278s.

Inspector General – The office will continue to provide legal counsel to the Commission's Inspector General.

Office of the Executive Director — Goal Two Priorities:

Litigation Support System – The integrated project team (IPT) will analyze approaches for the acquisition of automated tools for case management, document management, and litigation support. The team will recommend an approach to the EMC for the implementation of this key

element of the CFTC's information technology (IT) infrastructure and execute the approach adopted by the EMC.

Division Priorities by Agency Goal: *Third Quarter, FY 2001*

Goal Three: Foster open, competitive, and financially sound markets.

Division of Trading & Markets — Goal Three Priorities:

Regulatory Reform – The division will evaluate regulatory reform proposals identified by the Commission, the industry, and other interested persons and will identify additional areas where regulations can be modernized and streamlined. Specific issues the division will address are:

- **Exchanges and Clearing Houses.** The division will continue to work on proposals for regulatory reform related to exchanges and clearing houses. A notice of proposed rulemaking regarding markets is pending. The staff is working on other rulemakings to implement the CFMA, particularly with respect to securities products.
- **Denomination of Customer Funds and Location of Depositories.** The Commission published a concept release on December 30, 1997, to obtain the views of the public on how to address the risks related to holding segregated funds offshore or in foreign currencies (62 FR 67841). Division staff will continue informal discussions with industry participants concerning a proposed rule.³

CTA and CPO Performance Reporting and Disclosure Issues – Staff has recommended for Commission approval a final rule regarding CTA and CPO rate-of-return and disclosure issues.³

Opt Out of Segregation – Staff will prepare a rule for Commission approval to permit DTFs to authorize FCMs to offer their institutional customers the opportunity to elect to opt out of segregation with respect to DTF transactions.

Dual Trading – Staff will prepare rules for Commission approval to implement a dual trading restriction for stock futures products as required under the CFMA.

Rule 30.10 – Staff will prepare a recommendation to the Commission concerning the application for relief under CFTC Rule 30.10 filed by the Winnipeg Commodity Exchange on behalf of its members.

Treatment of Customer Funds Related to Security Futures Transactions – Staff will work with SEC staff to develop rules governing the treatment of customer funds related to security futures transactions. The rules will provide for segregation coverage under Section 4d(a)(2) of the Commodity Exchange Act (CEA or Act), Securities Investor Protection Corporation (SIPC) coverage and treatment under SEC Rule 15c3-3, or under certain circumstances, customer choice between these two alternatives.

Klein Futures – The division is preparing a report and appropriate recommendations on events leading to the problems at Klein Futures & Co.

Office of International Affairs (OIA) — Goal Three Priorities:

IOSCO – OIA will continue to coordinate Commission activities within the IOSCO Technical Committee and standing committees, including an examination of transparency and market fragmentation issues within the Standing Committee on Secondary Markets; continue to work with the Implementation Task Force on the completion of a regulatory survey measuring international compliance with IOSCO core regulatory principles on secondary markets, and

³ Pursuant to the President's Regulatory Review Plan (outlined in the January 20, 2001, memorandum from Andrew H. Card, Jr.) no notice of proposed rulemaking or final rule will be published without the approval of the Director of the Office of Management and Budget.

evaluating survey compliance; and initiate work in the Standing Committee on Market Intermediaries on the licensing of intermediaries that provide cross-border financial services.

International Initiatives – OIA will continue to provide comment and guidance upon request to US Department of the Treasury staff regarding the Chile Free Trade Agreement and other initiatives to strengthen global financial cooperation.

Information Sharing – OIA will continue to work on information-sharing arrangements for regulatory purposes with French authorities.

Technical Assistance – OIA will continue to organize technical assistance activities, including completion of a statement of cooperation and technical assistance with Chinese regulatory authorities.

International Regulators Meeting – OIA will organize the March 2001 International Regulators Meeting.

Office of the General Counsel (OGC) — Goal Three Priorities:

Regulatory and Legislative Matters – As the Commission's chief legal advisor, OGC will continue to advise the Commission concerning the implementation of the CFMA, as well as assist in implementing rules, regulations, and studies as required by the legislation. In particular, OGC will coordinate the Commission's work with the SEC and other agencies to accomplish the joint rulemakings required by the CFMA. Finally, the staff will continue to develop responses to requests from members of Congress.

Foreign Stock Index Futures Contracts – The staff will continue to work with SEC staff regarding the disposition of requests to permit the offer and sale in the US of foreign stock futures contracts in a manner consistent with the provisions of the CFMA.

De-Mutualization – The staff will continue to assist in the consideration of the proposal from the Chicago Board of Trade (CBT) to convert the exchange from a not-for-profit membership organization to a for-profit entity.

Division Priorities by Agency Goal: *Third Quarter, FY 2001*

<i>All Goals</i>

Office of the Executive Director (OED) — All Goals Priorities:

Executive Management Council – The EMC plans to consider business process definition issues, and a draft charter for an IPT to manage the development of a reengineered Exchange Database System. At its June 5, 2001 meeting, the EMC will be briefed on potential video conferencing alternatives.

Intranet – OED will continue development and implementation of new features of the Commission's intranet. Implementation of CFTC Docs, the Commission's document management system, will continue throughout the quarter.

Information Resources Management – OIRM plans to deploy 200 desktop computers to CFTC staff members, as authorized by the EMC. OIRM also plans to implement enhanced IT security management procedures including revised password and email filtering policies.

Technology Advances – The revised SF 52 Tracking System using Microsoft Access will be completed. OHR is preparing to make available to CFTC staff electronically fillable and reusable ethics forms (OGE 450 and SF 278) through the National Finance Center's Personal Page interface. OHR is also testing a new system for issuing training program announcements and tracking the training sessions. OFM is documenting the financial management and reporting needs of the agency and will begin to implement a process to meet those needs. OFM is providing significant support to the work of the litigation support system IPT.

Special Events and Training – The Industry/Legal/Technical Training program will continue with sessions including Clearing, Financial Regulation of Futures Commission Merchants Parts 1 and 2, Update on Current Issues and Developments, FOREX and Government Securities, and the Exchange Experience. Multiple sessions of *Managing Conflict and Tension in the Workplace* will be presented with separate programs for managers and supervisors and for employees.

Human Resources Initiatives and Activities – OHR will inform Commission staff of the Thrift Savings Plan open season from May 15 to July 31, 2001 and of the new procedures and options available. Office of Personnel Management (OPM) regulations under the Federal Employees Retirement Coverage Correction Act (FERCCA) will be implemented. The CFTC five-year plan for hiring persons with disabilities will be revised. The agency's summer program will get underway with the recruitment and placement of 38 new summer hires, 12 high school students retained for the summer and 11 previously hired college students.

Stress Management workshops and a workshop on the impact of alcohol on families and co-workers will be developed and a blood pressure screening will be planned. OHR will continue development of an agency telecommuting policy and a statement on violence in the workplace.

OHR is working with the Chicago Regional Office to develop Individual Development Plans (IDPs) and as an advisor on career development issues. A survey to assess training needs will be created.

Administrative Services and Space Management – OAS plans to increase security and access for Commission staff in the 4th floor reception area and lower lobby stairwell. A "health and safety in the workplace" policy will be implemented and OAS will train agency Safety & Health Coordinators. To complete an annual requirement, OAS will conduct an emergency preparedness exercise. Additional audio-visual equipment will be installed in the Commission's main Hearing Room.

Financial Management – The FY 2000 Annual Performance Report and the FY 2002 Budget and Annual Performance Plan will be submitted to the Congress. OFM and OLIA will submit to the House Agriculture Appropriations Subcommittee the Questions for the Record arising out of a

hearing before that committee. OFM will issue guidance to staff on the formulation of the FY 2003 Budget and Annual Performance Plan and the revised Strategic Plan.

OFM will develop policy for agency compliance with the Prompt Payment Act; will develop and implement an audit plan for travel and transit subsidy reimbursements; and will advise staff of changes in the transit subsidy program. OFM will manage the competition for office space for CFTC's Chicago Regional Office; the existing lease will expire January 31, 2002.

Summary of Accomplishments by Agency Goal: Second Quarter, FY 2001

Goal One: Protect the economic functions of the commodity futures and option markets.	
Division/Office	Areas of Accomplishment
Trading and Markets	New York Futures Exchange (NYFE) Block Trading NexTrade
Economic Analysis	Contract Market Designations New Contracts and Rule Changes Implementation of the CFMA Tracking and Maintaining Information FY 2002 Census of Agriculture
Enforcement	Trade Practice Cases – Front Running
General Counsel	Legislative Support Activities Staff Task Force on Regulatory Reform
Legislative & Intergov'tal Affairs	Legislative Support Activities Liaison Activities
Executive Director	Integrated Surveillance System Exchange Database System

Goal Two: Protect market users and the public.	
Division/Office	Areas of Accomplishment
Trading and Markets	Sharing Information with Other Federal Agencies Foreign Currency Privacy of Customer Information
Enforcement	Commodity Trading Advisor Fraud Cases Commodity Pool Operator Fraud Cases Illegal Instruments Cases
General Counsel	Commission Opinions and Orders Litigation Freedom of Information Act Ethics Proposed Consumer Privacy Regulations
Executive Director	Litigation Support System

Goal Three: Foster open, competitive, and financially sound markets.	
Division/Office	Areas of Accomplishment
Trading & Markets	Opt Out of Segregation Offsetting Customer Deficits in the Segregation Account with Readily Marketable Securities Automated Trading Systems CME GLOBEX Direct Access Board of Trade Clearing Corporation (BOTCC), CME and National Futures Association (NFA) Minimum Adjusted Net Capital Requirement Cantor Exchange Rule Enforcement Review

COMMODITY FUTURES TRADING COMMISSION: QUARTERLY PERFORMANCE REVIEW

Enforcement	Failure to Supervise Cases International Cooperation
International Affairs	IOSCO International Initiatives International Cooperation
General Counsel	Foreign Stock Index Futures Contracts

All Goals	
Division/Office	Areas of Accomplishment
Executive Director	Executive Management Council Information Resources Management Technology Advances Special Events and Training Human Resources Initiatives and Activities Administrative Services and Space Management Financial Management

Division Accomplishments By Agency Goal: *Second Quarter, FY 2001*

<i>Goal One: Protect the economic functions of the commodity futures and option markets.</i>
--

Division of Trading and Markets — Goal One Accomplishments:

NYFE Block Trading – The division reviewed a NYFE provision, similar to the provision adopted at the CFFE and CME, which permits certain defined sophisticated market participants to execute large-sized transactions away from the exchange's central marketplace. The provision would permit such block trading in several of the exchange's stock index futures and futures options products.

NexTrade – The Exchange withdrew its formal application to become a contract market by letter dated April 23, 2001.

Division of Economic Analysis — Goal One Accomplishments:

Contract Market Designations – Market Analysis staff and staff of other divisions participated in the reviews of new exchange applications. These include the applications of BrokerTec, HedgeStreet, and NexTrade, as well as the draft submission of Electronic Financial Instruments Derivatives Exchange (EFIDEX).

New Contracts and Rule Changes – No new product approval reviews were completed during this quarter. Division staff completed a presurveillance report on the CBT's new mortgage futures contract, submitted under certification procedures. Staff also reviewed 11 rule changes of economic significance, three of which were submitted for Commission approval.

Implementation of the CFMA – Proposed rules to implement the provisions of the CFMA were published in the *Federal Register* on March 9, 2001 (66 FR 14262). The comment period expires on April 9, 2001.

Tracking and Maintaining Information – Division staff completed a database for tracking and maintaining key information on new exchanges and transaction execution facilities that are, or appear to be, offering futures-like products. The database serves as a source of reference information about these new entities, some of which likely will come under Commission oversight under the CFMA.

FY 2002 Census of Agriculture – Market Analysis staff participated in a data user advisory group established by the US Department of Agriculture to assist in that agency's preparations for the FY 2002 census of agriculture.

Division of Enforcement — Goal One Accomplishments:

Trade Practice Cases – Front Running – The Enforcement program has continued to pursue actions that address specific types of fraudulent trade practices affecting the interests of customers and the integrity of futures markets. For example, during the second quarter of FY 2001, the Enforcement program filed the following case in this practice area:

- *In re Coppola, et al.*, and *In re Merolla, et al.* - In January 2001, the Commission filed two related administrative enforcement actions against four floor brokers who traded in the gold options ring at the Commodity Exchange Division of the New York Mercantile Exchange (COMEX). The complaint in the pending case against Vincent Coppola and Timothy Murphy alleges that they fraudulently executed trades by trading ahead of executable customer orders on the same side of the market and by changing prices on executed orders to the detriment of customers. *In re Coppola, et al.*, CFTC Docket No. 01-06 (CFTC filed Jan. 10, 2001). Simultaneously with this filing, the Commission also issued an order accepting offers of settlement from Paul Merolla and Phillip Selby. That order found that on several days, including September 28, 1999, a record day of trading volume on the COMEX gold market,

Merolla and Selby engaged in 15 instances of trading ahead of executable customer orders and 10 instances of illegal price changes involving trades executed to fill customer orders. Without admitting or denying the findings, Merolla and Selby consented to the entry of the order that: imposed a six-month registration suspension and trading ban; imposed a year-long ban on dual trading following the registration suspension period; ordered payment of restitution in the amounts of \$14,700 and \$5,200, respectively; and imposed civil monetary penalties of \$25,000 each. *In re Merolla, et al.*, CFTC Docket No. 01-07 (CFTC filed Jan. 10, 2001).

Office of the General Counsel — Goal One Accomplishments:

Legislative Support Activities – As the Commission’s chief legal advisor, OGC advised the Commission concerning the implementation of the CEA and other legislative and regulatory matters.

Staff Task Force on Regulatory Reform – Staff continued to participate in the work of the task force on the CEA and Commission regulations. Proposed rules to implement the CFMA’s new regulatory framework were adopted by the Commission and published in the *Federal Register* on March 9, 2001 (66 FR 14262). The comment period ends on April 9, 2001.

Office of Legislative & Intergovernmental Affairs — Goal One Accomplishments:

Legislative Support Activities – OLIA coordinated testimony by Acting Chairman James E. Newsome before the House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies regarding the Commission’s appropriations for fiscal year 2002. OLIA coordinated the report to the House and Senate Appropriations Subcommittees of the Commission’s reprogramming request for the use of FY 2001 funds for retention allowances.

Liaison Activities – OLIA continued to provide liaison for the Commission with GAO, including their work on new studies of the effects of market restructuring on self-regulation, personnel practices, and penalties.

Office of the Executive Director — Goal One Accomplishments:

Integrated Surveillance System – The project team delivered enhanced data editing capabilities, additional display capabilities, performance improvements, and corrections to the functionality of this system.

Exchange Database System – In this quarter, the project team added automatic production of selected reports and automatic procedures for updating selected information to this system. Users tested FTP data transmission of selected information.

Division Accomplishments By Agency Goal: *Second Quarter, FY 2001*

<i>Goal Two: Protect market users and the public.</i>

Division of Trading and Markets — Goal Two Accomplishments:

Sharing Information with Other Federal Agencies – On January 4, 2001, the Commission approved amendments to Rules 140.72 and 140.73 concerning the delegation to senior staff of the authority to share information with other federal agencies. The amendments were published on January 9, 2001 (66 FR 1574).

Foreign Currency – On February 5, 2001, the Commission issued an Advisory concerning foreign trading under the CFMA (CFTC Press Release 06-01).

Privacy of Customer Information – The Commission approved proposed rules prepared by T&M and OGC staff to govern the handling of customer information by industry professionals. The proposed rules were published in the *Federal Register* on March 19, 2001 (66 FR 15549). The comment period ends on April 18, 2001.

Division of Enforcement — Goal Two Accomplishments:

Commodity Trading Advisor Fraud Cases – During the second quarter of FY 2001, the Enforcement program achieved the following results in this area:

- *CFTC v. Brown* – On March 27, 2001, the Commission filed a seven-count civil injunctive action against James Spencer Brown, who has never been registered with the Commission. The complaint alleged that Brown, from December 1996 to April 1999, acted as an unregistered CTA, fraudulently solicited customers to allow him to manage their commodity futures trading investments, and failed to deliver required risk and disclosure documents. The complaint further alleged that, in so doing, Brown had violated the terms of a 1996 Commission order that simultaneously filed and settled an enforcement action against Brown for similar violations (*see In re Brown*, CFTC Docket No. 96-8 (CFTC Sept. 3, 1996)). *CFTC v. Brown*, No. 401-CV-0250-A (N.D.Tex. filed Mar. 27, 2001).
- *CFTC v. Rabb Sabin, and Art Smith*, No. SA CV 00-0940 DOC (EEx), Default Judgment And Order Of Permanent Injunction (C.D.Cal. entered Feb. 28, 2001, amended March 1, 2001) (finding that, while doing business as Westar Financial Services and The Cash Nursery, the defendants acted as unregistered commodity trading advisors and, starting in 1996, fraudulently solicited customers for a commodity options methodology by, among other things, misleading advertising on their Web site; permanently enjoined defendants from further violations as charged, ordered joint payment of \$384,771 in restitution, and ordered each defendant to pay a \$50,000 civil monetary penalty).

Commodity Pool Operator Fraud Cases – During the second quarter of FY 2001, the Enforcement program achieved the following results in previously filed pool fraud cases:

- *CFTC v. David T. Marantette, III, and Troubadour, Inc.*, No. CV99-00653 SOM LEK, Consent Order Of Permanent Injunction And Restitution (D. Hi. entered Feb. 21, 2001) (finding that the defendants, from 1995, acted as unregistered CPOs and fraudulently solicited customers whose losses were in excess of \$1.8 million; permanently enjoins the defendants from further violations as charged, orders them to jointly pay a contingent \$700,000 civil monetary penalty commencing upon their payment of \$2,246,043 in restitution pursuant to an income-based, ten-year payment plan, imposes a permanent trading ban, and bars them from seeking registration with the Commission).

- *CFTC v. FTI, Financial Group, et al.*, No. 97 C 7061, Consent Order Of Permanent Injunction Against Anthony L. Holt (N.D.Ill. entered Jan. 30, 2001) (finding that Holt fraudulently solicited customers while acting as an unregistered CPO; without admitting or denying the findings, Holt consented to the entry of the order that permanently enjoined him from trading for his own account or controlling or directing the trading of commodity accounts on behalf of others, and imposed other sanctions including a contingent \$50,000 civil monetary penalty pursuant to an income-based, ten-year plan and a bar from ever seeking registration with the Commission).

Illegal Instruments Cases – The Enforcement program also investigates and prosecutes the sale of illegal futures and option contracts to the public. During the second quarter of FY 2001, the Enforcement program achieved the following result in a previously filed illegal instruments case involving the fraudulent sale of illegal futures contracts in precious metals:

- *CFTC v. Nat'l Bullion And Coin, Inc., et al.*, No. 00-6885-CIV-ZLOCH, Final Order Of Judgment Concerning Restitution, Disgorgement, And Civil Monetary Penalties Against All Defendants (S.D.Fla. entered March 28, 2001) (following September 2000 order finding all defendants, National Bullion and Coin, Inc., Capital Credit Management & Finance, Inc., Joseph B. Flanigan, and Lawrence Colman, liable as charged and imposing a permanent injunction; ordering defendants jointly and severally liable for payment of \$2,456,511 in restitution, each defendant to pay a \$2,456,511 civil monetary penalty, and payment of disgorgement by Flanigan (\$20,952) and Colman (\$224,437)).

Office of the General Counsel — Goal Two Accomplishments:

Commission Opinions and Orders – OGC assisted the Commission in deciding administrative adjudicatory matters. The Commission resolved issues raised in four enforcement cases, one reparations case, and one self-regulatory organization case. The decision in *In re Laken* addressed several issues of first impression relating to the application of Section 8a(11) of the CEA. Section 8a(11) authorizes the Commission to suspend or modify the registration of Commission registrants who are involved in certain types of criminal proceedings. The Commission held that the Division of Enforcement may only obtain relief under this section if the preponderance of the evidence shows that respondent's continued registration does, or is likely to, pose a threat to the public interest or threaten to impair public confidence in a market regulated by the Commission. It concluded that in light of the nature and seriousness of the allegations raised in Laken's indictment, the preponderance of the evidence showed that his continued registration in a capacity that involved trading on the floor of a futures exchange posed a threat to the public interest. Consequently, the Commission suspended Laken's floor broker registration until his pending criminal proceeding was resolved. *In re Laken* CFTC Docket No. SD 00-05 (Feb. 8, 2001).

Litigation – OGC defended the Commission in more than 15 active appellate cases during the quarter, obtaining favorable rulings in *CFTC v. Busch* (11th Cir.), *CFTC v. Maseri* (11th Cir.), *Clark v. CFTC* (2nd Cir.), *SEC and CFTC v. Armstrong* (2nd Cir.) and *Laken v. CFTC* (7th Cir.) (denial of request for stay of sanction pending appeal). On behalf of the Commission, in the district courts, OGC obtained a favorable intermediate ruling regarding a request for attorney fees in *Taucher v. Rainer* (D.D.C.) and a ruling that declined the Commission's request to dismiss an equal employment opportunity case in *Forkkio v. Rainer* (D.D.C.).

OGC also defended the Commission in an appeal from a bankruptcy court opinion, *Inskeep v. MeesPierson*, No. 00 C 2056 (N.D. Ill.) (appeal from Bankruptcy Court decision invalidating regulation), and the ongoing underlying bankruptcy proceeding. In further defense of the Commission's enforcement efforts, OGC filed an adversary complaint in one bankruptcy matter, *In re Rosenberg*, (Bankr. N.J.), and succeeded in obtaining a ruling that recommended the withdrawal of the referee in another bankruptcy matter, *In re Stein* (Bankr. N.C.). OGC also defended a state foreclosure action, seeking to protect assets for possible distribution to defrauded customers, *Chase v. CFTC* (S.C.).

Finally, OGC defended the Commission's interests in personnel cases and in third-party district court litigation, primarily matters involving demands for Commission records or for the testimony of Commission personnel.

Freedom of Information Act – Staff advised the Commission on issues arising under the FOIA and the Privacy Act and counseled the divisions in connection with FOIA requests for documents. Staff continued to oversee the review and production of documents related to the Sumitomo and Merrill Lynch proceedings and to work with outside counsel on related subpoenas. Staff has initiated meetings with the Commission's FOIA compliance staff to train Agency support staff in basic FOIA law.

Ethics – Staff assisted Commission employees with the preparation and filing of annual financial disclosure documents, and reviewed and approved a number of disclosure documents. Staff also counseled departing senior staff with respect to post-employment restrictions and termination financial disclosure reports. In addition, the office has commenced a review of the Commission's ethics program and responsibilities with a view to making changes in staffing and procedures and, in cooperation with OHR, is preparing to implement procedures for electronic filing of financial disclosure reports.

Privacy of Customer Information – The Commission approved proposed rules prepared by T&M and OGC staff to govern the handling of customer information by industry professionals. The proposed rules were published in the *Federal Register* on March 19, 2001 (66 FR 15549). The comment period ends on April 18, 2001.

Office of the Executive Director — Goal Two Accomplishments:

Litigation Support System – An integrated project team was formed with representatives of CFTC's operating divisions and IT staff to analyze approaches and manage the acquisition of automated tools for case management, document management, and litigation support.

Division Accomplishments By Agency Goal: *Second Quarter, FY 2001*

Goal Three: Foster open, competitive, and financially sound markets.

Division of Trading & Markets—Goal Three Accomplishments:

Opt Out of Segregation – Proposed rules to permit DTFs to authorize FCMs to offer their institutional customers the election to opt out of segregation with respect to DTF transactions were published in the *Federal Register* on March 13, 2001 (66 FR 14507). The comment period ends on April 12, 2001.

Offsetting Customer Deficits in the Segregation Account with Readily Marketable Securities – On January 19, 2001, the Commission approved for publication in the *Federal Register* a final amendment to Rule 1.32 to permit an FCM to offset a customer deficit in the segregation account with readily marketable securities deposited by such a customer. Publication is on hold until the moratorium is lifted; see footnote 3 on page 14.

Automated Trading Systems – On March 12, 2001, the division granted no-action relief to the London Metal Exchange with respect to access to its automated trading systems from within the US.

CME GLOBEX Direct Access – The division reviewed a proposal from the CME to permit various individuals and institutional customers to obtain direct access to the GLOBEX trading system upon securing a prior guarantee from a clearing member.

BOTCC, CME, and NFA Minimum Adjusted Net Capital Requirement – The division reviewed duplicative proposals from BOTCC, CME, and NFA revising the treatment of naked long option positions in the calculation of clearing members' level of adjusted net capital.

Cantor Exchange Rule Enforcement Review – On March 16, 2001, the Commission accepted a rule enforcement review of the Cantor Financial Futures Exchange (CX). The purpose of the review was to evaluate CX's market surveillance, trade practice surveillance, audit trail, and disciplinary programs for the period September 1, 1999, through August 31, 2000. In its review, the Division found that the New York Cotton Exchange, with which CX has contracted to perform its self-regulatory surveillance functions, maintains adequate programs on behalf of CX in each of the areas reviewed.

Division of Enforcement — Goal Three Accomplishments:

Failure To Supervise Cases – During the second quarter of FY 2001, the Enforcement program achieved the following results in this program area:

- *In re Szach*, CFTC Docket No. 01-05 (CFTC filed Jan. 8, 2001) - In January 2001, the Commission simultaneously instituted and settled an administrative proceeding against Scott N. Szach, the former chief financial officer of Griffin Trading Company (Griffin), a registered FCM. The order found that Szach failed to diligently supervise Griffin's London branch office, where a customer trading on Eurex repeatedly breached his trading limits by substantial amounts for substantial periods of time, ultimately leading to Griffin's bankruptcy. According to the order, Szach failed to ensure that the firm's policies regarding risk management were followed (including Griffin's policy requiring that written give-up agreements be executed), failed to monitor trading limits, and allowed trading to occur which could not be monitored. After Griffin's customer sustained huge losses on two consecutive days in late 1998, neither he nor Griffin could meet margin calls exceeding \$10 million, and Griffin filed for bankruptcy protection. Without admitting or denying the findings, Szach consented to the entry of the Commission's order that, among other things, directed Szach to cease and desist from further violations, as charged; required Szach to pay a contingent \$220,000 civil monetary penalty, pursuant to a payment plan based on his future income; barred him from practicing before the Commission; and imposed a ten-year trading ban and various registration restrictions. *In re Szach*, CFTC Docket No. 01-05 (CFTC filed Jan. 8, 2001). In bringing this action, the Commission worked cooperatively with the Office of the US Attorney for the

Northern District of Illinois (which has indicted Szach), as well as the CBT and the Securities and Futures Authority and Financial Services Authority of the United Kingdom (which have concluded disciplinary proceedings against Szach).

- *In re Darryl M. Osler*, CFTC Docket No. 00-05 (CFTC entered Feb. 15, 2001) (accepting respondent's offer of settlement, and finding that, between January 1996 and May 1999, while a sales manager and registered Associate Person (AP) of registered Introducing Broker (IB) Ceres Trading Group, Inc., Osler instructed the APs he supervised to fraudulently solicit customers by, among other things, telling them that heating oil options presented special opportunities for profit because of the seasonal nature of heating oil prices; without admitting or denying the findings, Osler consented to the entry of the order that imposed sanctions including a cease and desist order, contingent \$50,000 civil monetary penalty payable pursuant to an income-based, ten-year plan, and a bar from ever seeking registration with the Commission).

International Cooperation – The division participated in a meeting of IOSCO Working Party No. 4 (WP4) on February 5-6, 2001. The division delivered a presentation to WP4 regarding the enforcement implications of the passage of the CFMA. Among the other topics discussed by WP4 during this meeting were the mandate on joint cross-border investigations and related proceedings, proposed future mandates, and Internet fraud.

Office of International Affairs — Goal Three Accomplishments:

IOSCO – OIA staff continued to coordinate the Commission's activities within the Technical Committee of IOSCO, in particular by participating in an implementation task force that is preparing surveys, and analyzing responses to, high-level self-assessments by IOSCO members on the extent to which the *Objectives and Principles of Securities Regulation (Core Principles)* have been implemented; the standing committee on secondary markets which completed a paper on single-stock listing standards drafted by CFTC representatives; the working group on intermediaries; and the Internet task force which completed a follow-up status report.

International Initiatives – OIA continued to coordinate the Commission's responses to position papers distributed by the US Department of the Treasury and participated in discussions at Treasury on a Chile Free Trade Agreement.

International Cooperation – OIA coordinated the Commission's representations to the Swiss regulatory authorities that supported the CBOT's application for recognition in Switzerland of its a/c/e electronic system.

OIA organized the March 2001 International Futures Regulators Meeting in Boca Raton, Florida which focused on identifying practical methods to reduce unnecessary duplication of regulatory efforts or requirements affecting the same entity operating globally. Thirty-eight representatives from 23 foreign jurisdictions attended the meeting.

OIA published its *2001 Report on Exchange-Traded Derivatives in Developing Capital Markets*, containing the responses received in answer to a questionnaire relating to the exchanges and regulatory systems for exchange-traded derivatives transactions in 25 developing capital markets.

Office of the General Counsel — Goal Three Accomplishments:

Foreign Stock Index Futures Contracts – The staff has continued to work with SEC staff with regard to the disposition of requests to permit the offer and sale in the US of foreign stock index futures contracts.

Division Accomplishments By Agency Goal: Second Quarter, FY 2001

<i>All Goals</i>

Office of the Executive Director — All Goals Accomplishments:

Executive Management Council – The EMC met on February 28, 2001, to manage CFTC's IT capital investment program. The EMC authorized the third quarter FY 2001 technical refreshment of one-third of the Commission's desktop computer population (200 computers). A charter was approved for an integrated project team to manage the acquisition of a Litigation Support System to maximize mission benefits to the CFTC. The EMC was briefed on IT security issues, including anti-virus software, password procedures, email vulnerabilities, and the status of current system development efforts.

Information Resources Management – A contract for maintenance of mission critical information systems was awarded to TRW on January 17, 2001. A redesigned Internet Web site, which complies with the new accessibility requirements of Section 508 of the Rehabilitation Act, was deployed on March 9, 2001.

Technology Advances – OHR and OIRM worked on the implementation of NFC's new System for Time and Attendance Reporting (STAR) which will replace the existing PC-TARE system. OHR made available for testing a new system for issuing training program announcements and tracking training activities and implemented a system to administer the annual financial reporting program. OFM upgraded the Federal Financial System (FFS) to comply with the US Department of the Treasury financial statement reporting requirements on budgetary accounts. OFM implemented a new Web-based software application, Federal Agencies Centralized Trial-Balance System II (FACTS II) for FY 2001, which was used to fulfill the requirement of the Report on Budget Execution (SF-133).

Special Events and Training – The CFTC's FY 2001 Training Program continued during the quarter with the presentation of 28 sessions. In the second quarter, *Retirement Benefits and Financial Planning* for employees at early, mid-career and pre-retirement status, was presented throughout the Commission. Plans were made for the Federal Executive Institute to provide a four-week management development session for inclusion in the Leadership Effectiveness Program. A Commission-wide workshop, *Managing Conflict and Tension in the Workplace*, was developed for presentation in the spring. Training in alternative dispute resolution was provided to all Commission employees. The Preventive Health Series continued and diabetes and blood pressure sessions were added to the series. A smoking cessation program was implemented.

Human Resources Initiatives and Activities – OHR added new information to the Employment Opportunities section of the CFTC Web site and continued to develop its training information on the Commission Intranet. The FY 2001 Summer Intern Employment Program was announced. Efforts to promote and develop the Commission's Employee Assistance Program continued throughout the quarter. OHR continued to coordinate the Performance Management Evaluation Committee meetings.

OHR provided the following reports to OPM: Work Years and Personnel Costs; Delegated Examining Unit's internal audit and quarterly activity; a quarterly Schedule C report; and an expert/consultant activity report. OHR and OAS prepared the FY 2000 Occupational Safety and Health Program Report.

Administrative Services and Space Management – OAS instituted a contract for miscellaneous moving services to support removal of excess property and miscellaneous moving requirements. Surplus furnishings and computer equipment were removed from the Washington, New York, and Chicago offices. Additional security cameras were installed in the Washington building lobby. OAS completed issuing identification credentials to all staff in Washington, New York, and Chicago. Corrections have been made to HVAC equipment that will protect computer equipment and improve the working environment for employees. The agency's existing lease for office space in Kansas City was extended for five years.

Financial Management – OFM and OLIA briefed House Committee on Appropriations staff on the Commission's FY 2002 Budget Request and prepared budget briefing books for the Acting Chairman in

preparation for Congressional hearings and briefings on the FY 2002 Budget. OFM and OLIA also briefed House and Senate staff on the Commission's proposed reprogramming to cover the 10% retention allowance for attorneys and economists effective April 8, 2001. House and Senate staff were also briefed on issues concerning the Commission's effort to be exempt from Title V. To comply with Travel and Transportation Act of 1998 requirements, OFM developed a prepayment audit plan for transportation expenses and submitted it to the General Services Administration for approval. An audit of CFTC delinquent travel charge card accounts was completed and a process was developed to ensure that accounts remain current. The Commission issued a task order to TRW for information technology general support services over a six-year period at a cost of approximately \$4.1 million.

Part III: Annual Performance Statistics

Summary of Commission Outreach Efforts

Second Quarter, FY 2001

Non-Recurring Outreach Efforts:

Quarterly meetings of Acting Chairman Newsome and leaders of Exchanges
Congressional briefings with OLIA staff

Recurring/Established Outreach Efforts:

Advisory

Agricultural Advisory Committee
Technology Advisory Committee
Global Markets Advisory Committee

Federal and State Working Relationships

President's Working Group on Financial Markets
US Department of Agriculture
Securities and Exchange Commission
Department of the Treasury
Board of Governors of the Federal Reserve System
New York Federal Reserve Bank
Federal Deposit Insurance Corporation
Department of Energy
Department of Labor's Bureau of Labor Statistics
Department of Justice
Federal Bureau of Investigation
Federal Trade Commission
US Postal Inspection Service

Self-Regulatory

National Futures Association quarterly meetings

International

Foreign regulatory authorities
International Organization of Securities Commissions (IOSCO)

List of Interested Parties

All Exchanges and Self-Regulatory Organizations
Public
Congress
The Administration
Market Professionals
Market Users
Foreign Authorities
Federal Departments and Agencies

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001⁴**Goal One: Protect the economic functions of the commodity futures and option markets.****Outcome Objective 1.1:** Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity. (Activities 1.1.1 through 1.1.10)**Annual Performance Goal:** No price manipulation or other disruptive actions.**Activity 1.1.1:** Collect US futures and option large trader and exchange-generated data for all actively trading contracts to support market surveillance, enforcement of speculative limits, dissemination of information to the public, and futures market studies and research by Commission staff and others.

Activity 1.1.1 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Amount of large trader and exchange-generated reports collected from firms.	52,400,000	13,013,125	14,868,314			27,881,439	53%	52,053,000
Number of projects/measures intended to reduce reporting burdens and related costs on exchanges.	5	0	0			0	0%	1

Activity 1.1.2: Monitor the markets to detect and respond quickly to potentially disruptive situations such as market congestion and/or potential price manipulation.

Activity 1.1.2 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of active futures and option markets.	275	258	244			N/A	N/A	263
Number of market surveillance reports prepared on expiring contracts for indications of price manipulation or other market disruptions.	2,100	477	449			926	44%	2,100
Number of market surveillance analyses prepared and presented at Commission briefings.	280	68	90			158	56%	280
Number of markets requiring intensified surveillance to prevent market manipulation.	20	2	3			5	25%	10
Number of derivatives transaction facilities monitored.	5	0	0			0	0%	5

⁴ TBD on FY 2001 Targets means that the statistics have not been previously tracked. A tracking system is currently in place to provide targets for future years. N/A means that the calculation can not be mathematically performed.

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal One: Protect the economic functions of the commodity futures and option markets.***Outcome Objective 1.1 (Cont'd.)*

Activity 1.1.3: Conduct timely review of new contract market designation applications and DTF registration applications to determine if they meet statutory requirements and comply with core principles.

Activity 1.1.3 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of new contract market designation applications completed.	5	0	1			1	20%	5
Number of derivative transaction execution facility registration applications completed	2	0	0			0	0%	2

Activity 1.1.4: Identify possible manipulation and other abusive trading practices for investigation and possible enforcement or criminal action.

(Measure deleted in FY 2001)

Activity 1.1.5: Investigate possible manipulation and other abusive trading practices.*

Activity 1.1.5 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of such investigations opened during the reporting period.	12	4	3			7	58%	12
Number of such investigations closed during the reporting period.	TBD	1	0			1	N/A	4
Number of such investigations pending at close of the reporting period.	16	16	19			N/A	N/A	21
Number of such investigations closed or resulting in the filing of an enforcement case during the reporting period.**	12	1	2			3	25%	12
During the reporting period, the number of such investigations closed or resulting in an enforcement case within one year of opening the related investigation.	6	0	2			2	33%	6

*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved throughout the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, that case will be reflected in the appropriate places under Goals One, Two, and Three.

** An Enforcement investigation can remain open after a related case has been filed.

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal One: Protect the economic functions of the commodity futures and option markets.***Outcome Objective 1.1 (Cont'd.)***Activity 1.1.6: Institute enforcement cases concerning manipulation and other abusive trading practices.**

Activity 1.1.6 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of such cases filed during the reporting period.	3	2	2			4	133%	5
Number of such cases completed during the reporting period.	3	0	0			0	0%	3
Number of such cases pending at the close of the reporting period.	13	12	14			N/A	N/A	13
During the reporting period, the total number of such cases filed within one year of opening the related investigation.	0	1	2			3	N/A	3

Activity 1.1.7: Sanction violators.*

Activity 1.1.7 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Amount of disgorgement or restitution ordered.	\$100,000	\$0	\$19,900			\$19,900	20%	\$100,000
Amount of civil penalties.	\$1,000,000	\$0	\$50,000			\$50,000	5%	\$1,000,000
Number of cease and desist orders.	4	0	1			1	25%	4
Number of registration sanctions.	3	0	1			1	33%	3
Number of trading prohibitions.	3	0	1			1	33%	3
Amount of sanctions collected/recovered.	TBD	N/A	N/A			0	N/A	TBD

*This Quarterly Performance Review only reflects sanctions which have become final by the close of the reporting quarter. Thus the output measures reported here include only sanctions in settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.

Activity 1.1.8: Conduct timely reviews of exchange's requests for approval of products or rule changes to determine if they are economically viable and do not pose a likelihood of disruption in the cash, futures, and option markets.

Activity 1.1.8 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of new contract approval requests reviewed	15	1	0			1	7%	15
Number of new contract approval requests reviewed within 45 days	5	0	0			0	0%	5
Number of economic reviews of rule change approval requests reviewed	50	22	3			25	50%	50
Number of economic reviews of rule change approval requests reviewed within 45 days	48	22	2			24	50%	48

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal One: Protect the economic functions of the commodity futures and option markets.***Outcome Objective 1.1 (Cont'd.)*

Activity 1.1.9: Conduct reviews of products and rule changes submitted under certification procedures to support market surveillance, enforcement of speculative limits, and to determine if the contracts are viable and pose a likelihood of disruption in the cash, futures, and option markets.

Activity 1.1.9 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Presurveillance reviews of new contract certification filings	15	1	5			6	40%	15
Reviews of rule amendment certification filings	25	2	8			10	40%	25

Activity 1.1.10: Conduct reviews of exempt markets and monitor the markets consistent with statutory requirements.

Activity 1.1.10 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of reviews related to exempt market filings	2	0	1			1	50%	2
Number of letters/no-actions issued related to requests for guidance	2	0	0			0	0%	2

Outcome Objective 1.2: Promote compliance with and deter violations of federal commodities laws.
(Activities 1.2.1 through 1.2.3)

Annual Performance Goal: No decrease in market use by producers, processors, financial institutions, and other firms because of loss of confidence in the price discovery and risk shifting functions of the markets.

Activity 1.2.1: Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators.

Activity 1.2.1 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of President's Working Group meetings held (includes Steering Committee meetings).	24	6	6			12	50%	24
Number of President's Working Group meetings attended (includes Steering Committee meetings).	24	6	6			12	50%	24

Analysis of Annual Performance Statistics By Agency Goal: *Second Quarter, 2001***Goal One: Protect the economic functions of the commodity futures and option markets.***Outcome Objective 1.2 (Cont'd.)***Activity 1.2.2: Maintain a current understanding of market functions and developments through studies and research.**

Activity 1.2.2 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of ongoing market research projects and studies.	12	3	3			6	50%	12
Number of market research projects and studies completed.	12	3	3			6	50%	12

Activity 1.2.3: Provide materials and information on the functions and utility of the markets to the public through public Commission meetings, public roundtables, advisory committee meetings, symposia, US Department of Agriculture publications, press releases, advisories, routine reports on large trader activity, etc.

Activity 1.2.3 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of presentations at public roundtables.	3	0	0			0	0%	3
Number of presentations at Advisory Committee meetings.	3	0	4			4	133%	4
Number of routine large trader reports published.	7,200	1,352	1,313			2,665	37%	5,500
Number of requests for data from universities and private sources.	10	3	2			5	50%	10
Number of requests fulfilled.	10	3	2			5	50%	10
Number of large trader reports (routine and special) provided to other US financial regulators.	28	7	7			14	50%	28

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal Two: Protect market users and the public.**

Outcome Objective 2.1: Promote compliance with and deter violations of federal commodities laws. (Activities 2.1.1 through 2.1.10)

Annual Performance Goal: All known possible wrongdoing identified and investigated. All violators brought to justice.

Activity 2.1.1: Identify and investigate possible fraudulent and other illegal activities relating to the commodity futures and option markets and their registrants.*

Activity 2.1.1 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of such investigations opened during the reporting period.	100	23	103			126	126%	140
Number of such investigations closed during the reporting period.	TBD	19	18			37	N/A	110
Number of such investigations pending at close of the reporting period.	105	83	168			N/A	N/A	109
Number of such investigations closed or resulting in the filing of an enforcement case during the reporting period.**	120	20	20			40	33%	120
During the reporting period, the total number of such investigations closed or resulting in an enforcement case within one year of opening of the related investigation.	60	13	16			29	48%	60

*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved through the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, any performance indicators associated with the case will be reflected in the appropriate places under Goals One, Two, and Three.

** An Enforcement investigation can remain open after a related case has been filed.

Activity 2.1.2: Bring injunctive actions, including using "quick-strike" efforts to protect assets and to stop egregious conduct.

Activity 2.1.2 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of such injunctive cases filed during the reporting period.	12	3	1			4	33%	12
Number of such injunctive cases completed during the reporting period.	15	2	1			3	20%	15
Number of such injunctive cases pending at close of the reporting period.	39	45	45			N/A	N/A	41
During the reporting period, the total number of such injunctive cases filed within one year of the opening of the related investigation.	TBD	3	1			4	N/A	9
Number of such injunctive cases filed during the reporting period using "quick-strike" procedures.*	6	2	0			2	33%	6

*"Quick strike" cases are anti-fraud civil injunctive actions filed by the Commission within four months of the opening of the related investigation.

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal Two: Protect market users and the public.***Outcome Objective 2.1 (Cont'd.)***Activity 2.1.3: Bring administrative cases involving fraud and other violations.**

Activity 2.1.3 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of administrative cases filed during the reporting period.	22	3	3			6	27%	22
Number of such administrative cases completed during the reporting period.	24	2	1			3	13%	24
Number of such administrative cases pending at the close of the reporting period.	23	22	24			N/A	N/A	19
During the reporting period, the total number of such administrative cases filed within one year of opening the related investigation.	11	1	2			3	27%	11

Activity 2.1.4: Hear administrative cases.

Activity 2.1.4 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of administrative cases decided during the fiscal year.	30	2	10			12	40%	23

Activity 2.1.5: Sanction violators.*

Activity 2.1.5 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of statutory restraining orders obtained.	8	4	0			4	50%	8
Number of preliminary injunctions obtained.	8	2	3			5	63%	8
Number of permanent injunctions obtained.	20	1	4			5	25%	20
Amount of disgorgement and restitution granted.**	\$60,000,000	\$0	\$2,700,714			\$2,700,714	5%	\$60,000,000
Amount of civil monetary penalties granted.***	\$65,000,000	\$110,000	\$1,170,000			\$1,280,000	2%	\$65,000,000
Number of cease and desist orders obtained.	22	1	3			4	18%	22
Number of requests for registration restrictions granted.	6	0	1			1	17%	6
Number of requests for trading prohibitions granted.	10	1	2			3	30%	10

* This Quarterly Performance Review only reflects sanctions which have become final by the close of the reporting quarter. Thus the output measures reported here include only sanctions in settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.

**Approximately \$2,246,043 of the total restitution and disgorgement ordered paid in FY 2001 was ordered paid pursuant to multi-year payment plans in which the actual amount paid by the defendant/respondent depends upon the level of his/her income during the period of the payment plan.

***Approximately \$1,020,000 of the total civil monetary penalties ordered paid in FY 2001 were ordered paid pursuant to multi-year payment plans in which the actual amount paid by the defendant/respondent depends upon the level of his/her income during the period of the payment plan.

Analysis of Annual Performance Statistics By Agency Goal: *Second Quarter, 2001***Goal Two: Protect market users and the public.****Outcome Objective 2.1 (Cont'd.)**

Activity 2.1.6: Inform the public and the industry concerning allegations of wrongdoing and associated legal actions, including through publications and through Commission orders and reports describing the alleged violations and the Commission's legal and policy analysis.

Activity 2.1.6 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of cases decided with published opinions.	11	1	1			2	18%	11
Number of cases decided by orders of summary affirmance.	2	0	0			0	0%	2

Activity 2.1.7: Collect sanctions and civil monetary penalties against violators.

Activity 2.1.7 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Amount of civil monetary penalties assessed.	TBD	N/A	N/A			N/A	N/A	TBD
Amount of civil monetary penalties collected.	\$1,600,000	\$60,207	\$254,976			\$315,183	20%	\$1,600,000

Activity 2.1.8: Cooperate with the exchanges, the National Futures Association, other federal agencies, state governments and law enforcement entities, and foreign authorities to gain information for law enforcement purposes and to provide enforcement assistance as necessary and appropriate.

Activity 2.1.8 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of enforcement investigations in which resources were expended during the reporting period in cooperative enforcement.	24	4	15			19	79%	32
Number of requests for enforcement assistance from foreign authorities during the reporting period.	24	5	2			7	29%	18
Number of requests for enforcement assistance made to foreign authorities during the reporting period.	22	11	19			30	136%	42

Activity 2.1.9: Monitor the Internet and other communication media for fraudulent activities and other possible violations of the Act.

Activity 2.1.9 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of preliminary inquiries generated from Internet and media monitoring during the reporting period.	62	17	11			28	45%	62

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal Two: Protect market users and the public.****Outcome Objective 2.1 (Cont'd.)****Activity 2.1.10: Resolve appeals in administrative enforcement matters and self-regulatory organization adjudicatory actions.**

Activity 2.1.10 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of administrative enforcement appeals resolved.	13	1	3			4	31%	13
Number of administrative enforcement appeals decided during the reporting period that were decided within six months.	3	1	3			4	133%	5
Number of SRO adjudicatory action appeals resolved.	3	1	1			2	67%	3
Number of SRO adjudicatory action appeals decided during the reporting period that were decided within six months.	1	1	1			2	200%	2

Outcome Objective 2.2: Require commodities professionals to meet high standards. (Activities 2.2.1 through 2.2.3)

Annual Performance Goal: No unregistered, untested, and unlicensed commodity professionals.

Activity 2.2.1: Oversee the National Futures Association (NFA) registration program, including testing, licensing, and ethics training for commodities professionals.

Activity 2.2.1 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of registered commodity professionals.	65,000	64,795	64,777			N/A	N/A	65,000
Number of registrants compliant with standards regarding testing, licensing, and ethics training.	64,000	62,850	62,849			N/A	N/A	64,000
Number of CTA-NFA Registration Working Group meetings.	4	1	1			2	50%	4

Activity 2.2.2: Oversee NFA's document disclosure review program.

Activity 2.2.2 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of disclosure documents reviewed.	25	9	6			15	60%	25
Number of deficiency letters issued.	5	2	0			2	40%	5
Number of CPO and CTA biennial review reports issued (every odd FY).	1	0	0			0	0%	1
Number of CPO/CTA interpretations, advisories, and proposed rule changes.	5	2	0			2	40%	5

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal Two: Protect market users and the public.***Outcome Objective 2.2 (Cont'd.)*

Activity 2.2.3: Investigate and bring administrative registration cases arising out of alleged statutory disqualification and obtain suspensions, revocations, conditions, or restrictions of registration.

Activity 2.2.3 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of statutory disqualification investigations opened during the reporting period.	4	2	0			2	50%	4
Number of statutory disqualification investigations closed during the reporting period.	TBD	2	0			2	N/A	4
Number of statutory disqualification investigations pending at the close of the reporting period.	3	3	3			N/A	N/A	3
Number of statutory disqualification investigations closed or resulting in the filing of an enforcement case during the reporting period.*	5	2	0			2	40%	5
During the reporting period, the number of statutory disqualification investigations closed or resulting in enforcement case within one year of opening the related investigation.*	3	1	0			1	33%	3
Number of statutory disqualification cases filed during the reporting period.	5	0	0			0	0%	5
Number of statutory disqualification cases completed during the reporting period.	6	1	0			1	17%	6
Number of statutory disqualification cases pending at the close of the reporting period.	10	4	4			N/A	N/A	4
During the reporting period the total number of statutory disqualification cases filed within one year of the opening of the related investigation.	3	0	0			0	0%	3
Number of respondents/defendants against whom the CFTC's request for registration restrictions has been granted during the reporting period.	6	0	0			0	0%	6

* An Enforcement investigation can remain open after a related case has been filed.

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal Two: Protect market users and the public.**

Outcome Objective 2.3: *Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act. (Activity 2.3.1)*

Annual Performance Goal: All customer complaints against persons or firms registered under the Act are resolved within one year from the date filed (does not include appeals).

Activity 2.3.1: Provide a reparations program for commodities market users to make claims relating to violations of the Act.

Activity 2.3.1 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of reparations complaints filed during the reporting period.	112	22	24			46	41%	112
Number of reparations complaints forwarded for hearing as cases during the reporting period.	100	36	12			48	48%	100
During the reporting period the number of reparations complaints resolved within one year of filing date.	70	13	14			27	39%	70
During the reporting period the number of appeal cases decided that were decided within six months.	2	2	1			3	150%	4
Number of appeals resolved during the reporting period.	20	3	1			4	20%	20

Goal Three: Foster open, competitive, and financially sound markets.

Outcome Objective 3.1: *Ensure sound financial practices of clearing organizations and firms holding customer funds. (Activities 3.1.1 through 3.1.5)*

Annual Performance Goal: No loss of customer funds as a result of firms' failure to adhere to regulations. No customers prevented from transferring funds from failing firms to sound firms.

Activity 3.1.1: Promulgate regulations to ensure sound business, financial, and sales practices in firms participating in the commodities industry.

Activity 3.1.1 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of firms required to transfer customer accounts.	TBD	0	0			0	N/A	N/A
Amount of customer funds lost.	TBD	0	0			0	N/A	N/A

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.1 (Cont'd.)***Activity 3.1.2: Review and oversee self-regulatory organization audit and financial practices.**

Activity 3.1.2 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of oversight audits.	50	3	6			9	18%	50
Number of financial investigative reviews.	10	2	4			6	60%	10
Number of financial reports processed.	5,000	776	1,883			2,659	53%	5,000
Number of financial reports resulting in follow-up inquiries. *	200	34	20			54	27%	200

* Follow-up on Notices of Capital Reduction and other notices under Rule 1.12.

Activity 3.1.3: Identify and investigate possible financial, capitalization, segregation, and supervision violations for possible prosecution.*

Activity 3.1.3 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of such investigations opened during the reporting period.	19	9	3			12	63%	19
Total number of such investigations closed during the reporting period.	TBD	5	5			10	N/A	19
Number of such investigations pending at the close of the reporting period.	30	30	28			N/A	N/A	26
Number of such investigations closed or resulting in the filing of an enforcement case during the reporting period.**	24	5	7			12	50%	24
During the reporting period, the total number of such investigations closed or resulting in an enforcement case within one year of the opening of the related investigation.**	8	4	5			9	113%	12

*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved through the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, any performance indicators associated with the case will be reflected in the appropriate places under Goals One, Two, and Three.

** An Enforcement investigation can remain open after a related case has been filed.

Activity 3.1.4: Bring cases concerning financial, capitalization, segregation, and supervision violations.

Activity 3.1.4 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Total number of such cases filed during the reporting period.	11	4	3			7	64%	11
Number of such cases completed during the reporting period.	TBD	2	2			4	N/A	11
Number of such cases pending at the close of the reporting period.	39	38	39			N/A	N/A	36
During the reporting period, the total number of such cases filed within one year of the opening of the related investigation.	3	2	2			4	133%	4

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.1 (Cont'd.)***Activity 3.1.5: Sanction violators.***

Activity 3.1.5 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Amount of disgorgement and restitution ordered.	\$35,000,000	\$0	\$19,900			\$19,900	<1%	\$35,000,000
Amount of civil monetary penalties ordered.**	\$14,000,000	\$0	\$320,000			\$320,000	2%	\$14,000,000
Number of cease and desist orders.	16	0	3			3	19%	16
Number of respondents/defendants whose registrations were ordered restricted.	13	0	2			2	15%	13
Amount of civil monetary penalties collected.	TBD	N/A	N/A			N/A	N/A	N/A
Amount of disgorgement or restitution money paid.	TBD	N/A	N/A			N/A	N/A	N/A

* This Quarterly Performance review only reflects sanctions which have become final by the close of the reporting quarter. Thus, the output measures reported here include only sanctions in settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.

**Approximately \$270,000 of the total civil monetary penalties ordered paid in FY 2001 were ordered paid pursuant to multi-year payment plans in which the actual amount paid by the defendant/respondent depends upon the level of his/her income during the period of the payment plan.

Outcome Objective 3.2: *Promote and enhance effective self-regulation of the commodity futures and option markets. (Activities 3.2.1 through 3.2.6)*

Annual Performance Goal: No loss of customer funds resulting from failure of self-regulatory organizations to ensure compliance with its rules.

Activity 3.2.1: Review and approve self-regulatory organization rules and rule amendments

Activity 3.2.1 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of SRO rule submissions reviewed.	350	51	100			151	43%	350
Number of SRO rule amendments reviewed.	730	528	321			849	116%	1,000

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.2 (Cont'd.)***Activity 3.2.2: Conduct rule enforcement reviews of self-regulatory organizations (financial practices, sales practices, trade practices, and audit trail).**

Activity 3.2.2 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of rule enforcement reviews conducted.	7	0	1			1	14%	7
Number of rule enforcement recommendations for improvement made.	TBD	0	0			0	N/A	N/A

Activity 3.2.3: Review and oversee self-regulatory organization audit and financial practices.

Activity 3.2.3 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of oversight audits.	50	3	6			9	18%	50
Number of financial investigative reviews.	10	2	4			6	60%	10
Number of financial reports processed.	5,000	776	1,883			2,659	53%	5,000
Number of financial reports resulting in follow-up inquiries. *	200	34	20			54	27%	200

* Follow-up on Notices of Capital Reduction and other notices under Rule 1.12

Activity 3.2.4: Review adequacy of self-regulatory organization disciplinary actions.

Activity 3.2.4 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of self-regulatory disciplinary actions reviewed.	500	130	119			249	50%	800

Activity 3.2.5: Conduct direct audits of clearing organizations and firms handling customer money to ensure compliance with capitalization and segregation rules.

Activity 3.2.5 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of direct audits of clearing organizations and firms handling customer money.	30	0	6			6	20%	30
Number of audited clearing organizations.	TBD	0	2			2	N/A	N/A
Number of audited clearing organizations in compliance with segregation rules.	TBD	0	1			1	N/A	N/A

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.2 (Cont'd.)***Activity 3.2.6: Promulgate regulations to ensure effective self-regulation by exchanges, clearing organizations, and registered futures associations.**

Activity 3.2.6 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of newly promulgated CFTC regulations requiring SRO implementation.	TBD	1	0			1	N/A	1

Outcome Objective 3.3: *Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions. (Activities 3.3.1 through 3.3.5)***Annual Performance Goal:** All requests for information sharing under agreements honored, and new agreements pursued as warranted. All requests for relief responded to within Commission guidelines.**Activity 3.3.1: Coordinate and cooperate with global financial services regulators to share vital information concerning markets, intermediaries, and regulatory structure.**

Activity 3.3.1 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of requests from foreign authorities received.	200	49	51			100	50%	200
Number of requests from foreign authorities honored by CFTC.	200	49	51			100	50%	200
Number of requests made to foreign authorities.	150	71	61			132	88%	150
Number of CFTC requests honored by foreign authorities.	150	71	61			132	88%	150
Average response time.	2 days	2 days	3 days			N/A	N/A	2 days

Activity 3.3.2: Coordinate and cooperate with global financial services regulators to develop appropriate global standards and arrangements in the commodities industry as markets emerge and evolve.

Activity 3.3.2 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of global standards, arrangements or initiatives developed.	2	2	0			2	100%	2
Number of global standards, arrangements or initiatives adopted.	2	2	0			2	100%	2

Activity 3.3.3: Participate in the International Organizations of Securities Commissions and represent the Commission at international meetings concerning commodity regulation.

Activity 3.3.3 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of IOSCO and related international meetings held.	30	10	5			15	50%	30
Number of IOSCO and related international meetings attended by CFTC.	30	10	5			15	50%	30

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.3. (Cont'd.)*

Activity 3.3.4: Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators.

See Activity 1.2.1 for annual targets.

Activity 3.3.5: Provide exemptive, interpretive, or other relief as appropriate to foster the development of innovative transactions, trading systems, and similar arrangements.

Activity 3.3.5 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of requests for exemptive, interpretive, or other relief.	270	59	58			117	43%	270
Number of CFTC responses to such requests.	255	56	55			111	44%	255
Average response time.	6 weeks	6 weeks	6 weeks			N/A	N/A	6 weeks

Outcome Objective 3.4: Promote markets free of trade practice abuses. (Activities 3.4.1 through 3.4.4)

Annual Performance Goal: No trade practice abuses.

Activity 3.4.1: Identify possible trade practice violations for investigation and possible enforcement proceedings.

Activity 3.4.1 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of trade practice investigations completed.	100	30	30			60	60%	100
Number of possible trade practice violations referred to SROs and/or to Division of Enforcement for investigation.	27	10	5			15	56%	27

Activity 3.4.2: Investigate possible trade practice violations.

Activity 3.4.2 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of such investigations opened during the reporting period.	12	4	3			7	58%	12
Number of investigations closed during the reporting period.	TBD	1	0			1	N/A	4
Number of investigations pending at the close of the reporting period.	15	16	19			N/A	N/A	21
Number of investigations closed or resulting in the filing of an enforcement case during the reporting period.*	12	1	2			3	25%	12
During the reporting period, the total number of investigations closed or resulting in an enforcement case within one year of opening of the related investigations.*	6	0	2			2	33%	6

* An Enforcement investigation can remain open after a related case has been filed.

Analysis of Annual Performance Statistics By Agency Goal: Second Quarter, 2001**Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.4. (Cont'd.)***Activity 3.4.3: Bring cases concerning trade practice violations.**

Activity 3.4.3 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Total number of such cases filed during the reporting period.	2	1	2			3	150%	4
Number of such cases completed during the reporting period.	2	0	0			0	0%	2
Number of such cases pending at the close of the reporting period.	12	10	12			N/A	N/A	11
During the reporting period, the total number of such cases filed within one year of the opening of the related investigation.	0	0	2			2	N/A	2

Activity 3.4.4: Bring enforcement proceedings against violators.

Activity 3.4.4 Output Measures:	FY 2001 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	FY 2001 Actual	%	Year-End Projection
Number of statutory restraining orders granted.	0	0	0			0	--	0
Number of preliminary injunctions obtained.	0	0	0			0	--	0
Number of permanent injunctions obtained.	0	0	0			0	--	0
Amount of restitution and disgorgement granted.	\$100,000	\$0	\$19,900			\$19,900	20%	\$100,000
Amount of civil monetary penalties granted.	\$1,000,000	\$0	\$50,000			\$50,000	5%	\$1,000,000
Number of cease and desist orders obtained.	4	0	1			1	25%	4
Number of requests for registration restrictions granted.	4	0	1			1	25%	4
Number of requests for trading prohibitions granted.	4	0	1			1	25%	4